

Contexts of Enterprise Policy-making – An Institutional Perspective

Abstract

This paper advances our understanding of policy formulation, exploring how the particular institutional dynamics between the transnational and national levels of enterprise policy-making affect policy choices made by governments and consequently their outcomes. The paper argues that policy development occurs within a framework of dominating assumptions on enterprise, influential academic/policy communities and lesson-drawing from other countries' experiences, which have led to a privileging of the transnational when making policy choices. Empirically, the paper draws on a post-socialist country case – Albania, and uses interviews with policy actors and documentary data from national governments and international organisations. The paper explores the dynamics involved, and the actors that shape, policy formulation and makes two contributions to the literature. First, it provides a conceptual framework on how to analyse policy formulation, extending recent work on the link between policy formulation and the intended outcomes of policies. Second, it offers a more nuanced conceptualisation of enterprise policy formulation, arguing that policy formulation reflects the changing configurations of ideas, policy tools and resources, and actors involved in the process.

Keywords: enterprise policy, policy formulation, context, institutions, international organisations

Introduction

The role of context in entrepreneurship development has been widely recognised (Welter 2011; Zahra and Wright 2011), as context shapes the nature of entrepreneurial opportunities and entrepreneurship's contribution in our societies. The institutional development of a country (Boettke and Coyne 2003) and the social structures in which entrepreneurship is embedded (Davidsson 2003; Baker, Gedajlovic, and Lubatkin 2005) provide clues to the different entrepreneurial trajectories unfolding in diverse contexts (Garud, Gehman, and Giuliani 2014). Governments have a major influence on the conditions under which enterprise develops, and scholars, both in the developed and developing countries, have argued for the need to ensure there is a good fit between policies and the actual entrepreneurial environment (Minniti 2008; Heinonen, Hytti, and Cooney 2010; Lundstrom et al. 2014). This has often translated into calls for, or attempts from scholars, to take into account contextual differences in explaining policy outcomes (Parker 2008; Xheneti and Kitching 2011; Mason and Brown 2013; Smallbone, Welter, and Ateljevic 2014; Acs, Autio, and Szerb 2014).

Despite agreement, however, that (national) institutional contexts matter for entrepreneurship development, the tendency to privilege the transnational level for promoting and selecting enterprise policies seems to prevail. We argue this to be the case because enterprise policy is made and developed within a framework of dominating global assumptions and discourses on enterprise and enterprise policies (Perren and Jennings 2005; Rehn et al. 2013), influential international academic and policy communities that support the exchange of these policy assumptions (Klyver and Bager 2012), as well as policy transfer and lesson drawing from other countries' experiences (Rose 1993; Dolowitz and Marsh 2000). This begs the important question of *how* these particular institutional dynamics between the transnational and national levels of policy-making affect policy choices made by governments and consequently their outcomes.

The theorisation of enterprise policy formulation is only recent (Arshed, Mason and Carter 2014), as most studies of enterprise policy rely on functional assumptions to entrepreneurship (for an extensive critical review see, for example, Perren and Jennings 2005; Orge 2013), or on increasingly evaluating individual policy programmes and their impact (Norrman and Bager-Sjogren 2010; Niska and Vesala 2013) or government expenditure on enterprise policy (Lundstrom et al. 2014). Accordingly, this paper attempts to extend the theorisations of policy formulation by using insights from the neo-institutional literature (Meyer and Rowan 1977; Bromley and Powell 2012; Lawrence and Suddaby, 2006). Contrary to previous studies of policy formulation, we bring into the analysis the transnational institutional context in which the enterprise policy field develops and/or is maintained. By situating policy in this context, we explore how the intersection of the national and international levels of the enterprise policy field affects policy choices. We discuss a number of means policy actors at the international level have at their disposal: discursive or knowledge-based, international policy standards and tools, and finance, whose use and strategies of local actors they inform, account to a large extent, for the policies that come to prevail in different time-periods.

We discuss these issues in the case of post-socialist countries because the deep process of institutional and social transformation these countries have undergone, has implications for the extent of entrepreneurship development and the forms of entrepreneurial behaviour that have emerged (Kolodko 2000; Manolova, Eunni, and Gyoshev 2008; Smallbone and Welter 2009; Doern and Goss 2013). Post-socialist governments faced the challenge of adapting their role and behaviour in the society to the requirements of a market economy in order to create conducive environments for enterprise activity (Smallbone and Welter 2010; Smallbone, Welter, and Ateljevic 2014). Not surprisingly, despite their shared common socialist heritage, experiences in this regard have varied considerably between countries, not least because of different initial conditions and policy choices (Alexander 2008) but also because of the 'transformative' role of the EU in policy development (Grabbe 2006). Empirically, we

draw on a country case study, using interview and documentary data from Albania, a country with a short history of statehood and little tradition of private enterprise.

The paper makes two contributions to the literature: first, it extends recent work on enterprise policy-formulation as an explanatory factor of policy effectiveness (Arshed et al., 2014) by proposing a conceptual framework that highlights the need to take into account the context(s) of enterprise policy-making both at the national and transnational level and their interaction; second, and following from the above, it offers a more nuanced and dynamic understanding of policy formulation that reflects the changing institutional work – as configurations of ideas, policy tools and resources – conducted by domestic and international actors involved in policy development over time. The paper is structured as follows: In Section 1, an overview of current enterprise policy discussions is presented before moving on in Section 2 to discuss ideas from the neo-institutional literature proposing a conceptual framework for understanding policy adoption and the various actors involved. In Section 3, the Setting and Methodology of the study is presented, moving on to discuss findings in Section 4 before concluding and drawing implications for further work.

Current knowledge on enterprise policies

As recognition of the contribution of enterprise in economic development and competitiveness has increased, governments all over the world have developed policies in order to foster enterprise (Bennett 2014). Enterprise policies, as a result, have become important staples of government action in developed market economies (Audretsch, Grilo, and Thurik 2007), whereby government policy should provide the enabling conditions for entrepreneurial activity to develop, and as importantly to be channelled towards productive uses (Baumol 1990; Minniti 2008). Several studies over the years have explored the rationale for different government policy foci in support of enterprise development (Hart 2003; Lundstrom and Stevenson 2005; Audretsch and Beckmann 2007) and have prescribed policy mixes to account for established or start up business needs, country and regional level differences in economic development,

competitiveness, and constraints to entrepreneurship (Lundstrom and Stevenson, 2005; Van Stel, Storey, and Thurik 2007; Dennis 2011). Some have also pointed out that governments' expenditure on enterprise policies is higher than what it is normally spent on education or police (i.e. Lundstrom et al. 2014).

Governments in post-socialist contexts have also implemented policies to support the enterprise sector, initially focusing on wider institutional reforms aimed at establishing a framework for enterprise to develop, but later followed by policy intervention to support enterprise (Xheneti and Kitching 2011; Szerb and Trumbull 2014). Countries that embarked in the institutional reform process earlier in the transition period, followed also by political commitment, have experienced higher levels of entrepreneurship development as reflected in the stark differences between Central and Eastern European countries and the South East ones (Hashi and Krasniqi 2011). This is reflected in indicators such as the number of firms per capita, small businesses' share of employment or output (Estrin, Meyer, and Bytchkova 2006; Estrin and Mickiewicz 2011).

Despite the different dynamics in developed and developing contexts, enterprise policies have suffered several criticisms, mainly related to the poor links between policy and its outcomes or what in the transition literature has often been referred to as the implementation gap. The (wrong) focus of these policies on start-ups instead of high-growth firms (i.e. Shane 2009; Mason and Brown 2013; Nightingale and Coad 2014), their lack of clear objectives and coherence (Storey 2000), as well as the poor policy evaluation techniques (Pons Rotger et al. 2012) have been brought into attention. Most of these studies, however, focus on individual programmes and policies in isolation, considering policy-making as a linear process that moves through distinct stages from problem identification to evaluation of policy outcomes in an uninterrupted fashion. As a result, there have been few attempts in enterprise policy studies to take into consideration contextual aspects that affect policy choices, include, but not limited to, the political culture, (international) environmental pressures or

other mechanisms through which some policies and not others come to prevail in specific periods of time.

For these reasons, enterprise policy studies over-rely on functional assumptions of enterprise policy that measure means-ends relationships, questioning neither the fundamental assumptions of these policies, nor the process of policy-making and the ways it accounts for the decoupling between policies and their results. The policy literature identifies alternative approaches to understanding policy-making and its outcomes (i.e. Fischer 2003; Yanow 2000), especially with the 'interpretive turn' in policy analysis that seeks to unpack the 'black box' (Latour 1987) of policy by considering the several representations of the (apparent) objective world that shape policy formulation activity. Enterprise policy studies of an interpretive nature, however, have been restricted to discursive approaches, mainly exposing the different power relations underlying enterprise policy or challenging key entrepreneurship assumptions (Perren and Dannreuther 2013; Perren and Jennings 2005; Ahl and Nelson 2015). These studies have linked enterprise discourses to power (Perren and Dannreuther 2013; Perren and Jennings 2005; Orge 2013), have questioned the role given to entrepreneurship as a cure for all the problems in the economy (Howorth, Parkinson, and Southern 2009) and have pointed to the absence, or only modest resemblance, of policy aims and objectives with what entrepreneurs themselves want to achieve (Perren and Jennings 2005; Dannreuther 2007; Niska and Vesala 2013).

We believe, however, that the use of these approaches to date has failed to unpack the institutional dynamics in place that affect both how discourses are used by institutional actors in shaping policy making, and also the 'lived experiences' of those engaged in the policy process and the meanings they attach to them. Therefore, using a neo-institutional framework on enterprise policy, we seek to provide a better understanding of other than means-ends logics of explaining enterprise policies focusing on policy formulation. Next, some of the underpinnings of this approach and

how we propose it can be utilized to understand enterprise policy formulation is provided.

Enterprise policies as transnational projects – A conceptual framework

Institutional theories have offered insightful understandings in diverse areas, including entrepreneurship (i.e. Bruton, Ahlstrom, and Li 2010). ‘Institutions are comprised of regulative, normative and cultural-cognitive elements that, together with associated activities and resources, provide stability and meaning to social life’ (Scott 2008, 48). Institutional fields, on the other hand, represent the environment where organisations operate. They comprise of a set of common understandings, and rules and requirements to be fulfilled in order for organisations to receive support and legitimacy (Garud, Hardy, and Maguire 2007; Kalantaridis and Fletcher 2012; McCarthy 2012). The institutionalised rules and common assumptions often function as *myths* depicting various formal structures as rational means to the attainment of desirable ends, explaining why organisations engage in decoupling, thereby, adopting certain policies in a ceremonial way, in a bid to secure legitimacy, but engaging in different practices altogether (Meyer and Rowan 1977; DiMaggio and Powell 1983; Bruton, Ahlstrom, and Li 2010; Klyver and Bager 2012; Bromley and Powell 2012; Wijen 2014).

This conceptualisation of organisations is of particular interest to understand how governments formulate enterprise policies in view of isomorphic environmental pressures and how the institutional work conducted by actors in the enterprise-policy field (DiMaggio and Powell 1983; Perkmann and Spicer 2007; Lawrence and Phillips 2004) might affect whether a policy’s goals are achieved. Enterprise policy, like other policy fields, develops within well-identified sets of enterprise assumptions and discourses (i.e. Rehn et al. 2013) ‘transposed’ by policy networks and epistemic communities (Sabatier 1988; Dunlop and Radaelli 2013) and international organisations with their own norms and practices (Stone 2004; Dobbin, Simmons, and Garrett 2007). Yet, policy-making is also situated in broader domestic institutional

contexts, with formal institutions and, cultural and ideational legacies affecting the policy-problem framing and defining the range of possible policy options and practices that can be developed as a result (Schmidt and Radaelli 2004; Béland 2009). Therefore, we argue that the understanding of policy-making would be incomplete if these interactions between the transnational and national levels would not be taken into account, because these various actors' field positions affect the institutional work performed in enterprise policy-making as highlighted in our conceptual framework below.

First, transnational actors make certain ideas prominent and exert cognitive influence by producing academic and policy knowledge that has an impact on how policy-makers frame policy problems. The increased recognition of entrepreneurship's contribution to economic growth and development has intensified the exchange of enterprise ideas by policy-makers throughout the world. The proponents of enterprise point to its role in relation to employment generation, raising disposable incomes, external income generation, the development of supply chains, innovation, service provision (Fritsch and Mueller 2004; Audretsch and Keilbach 2004). The prominence, as a result, of the enterprise discourse, and more specifically of entrepreneurship as something good that needs to be encouraged in our societies, has placed these actors in the position of offering followers an authoritative model, making arguing in its favour very persuasive. Thus, domestic policy actors, supported by the increasingly global links in communication, trade and politics (Evans 2009), would draw on the wide academic and policy knowledge provided, when framing problems and finding policy solutions in their uncertain environments.

Second, transnational actors also produce standards or exert normative influence through promotion of best policy practices, benchmarking, regular 'peer review' and 'naming and shaming' of countries. A number of International Organisations (IOs) – EU, World Bank, OECD – provide normative standards as to what makes for a good 'doing business' or 'entrepreneurial' environment (i.e. EBRD transition indicators;

OECD best practices). Countries' progress is measured on the basis of policy convergence evidenced with regards to different dimensions of policy-making ranging from policy goals to outcomes and styles of policy-making¹ (Bennett 1991), leaving aside the political and cultural aspects of policy making. The EUs' Open Method of Coordination, for example, brings together a variety of actors with diverse experiences and motivations aiming to promote learning and experimentation in a decentralised way (Mosher and Trubek 2003; Radaelli 2003; Tholoniati 2010). Under the SME Charter and more recently the Small Business Act for Europe that support countries in structuring enterprise policy in preparation for membership, countries are periodically monitored, evaluated and subjected to peer review in order to compare progress towards convergence with broader international standards in the enterprise field and identify best practices (Tholoniati 2010).

Third, whilst the variety in ideological and financial autonomy between countries makes post-socialist policy actors more vulnerable towards the influence of transnational actors' policies and standards (Béland 2009), it needs to be recognised that the implications of this are diverse and need to be seen in tandem with what happens in the internal environment in these countries. As the institutional literature recognises, actors formulate a set of responses to institutionalisation processes by either ignoring or challenging them (i.e. Oliver 1991). Groups with particular interests in enterprise policy institutionalisation support or hinder the policy process (i.e. Oliver, 1991; Bartlett 2013) and their responses often give rise to policy 'hybrids' and/or 'assemblages' (Campbell 2010; Prince 2012). Even when institutional adoption is symbolic and formal policies are not implemented, compliance with these standards offers legitimacy, and might arguably produce some 'real' effects (Bromley and Powell 2012), in the light of its financial significance, and EU membership incentives (Bennett 2014).

¹ Convergence is evaluated on: (i) policy goals – expressed intentions; (ii) policy contents – statutes, administrative rules, regulations, court decisions; (iii) policy instruments – institutional tools available to administer policy; (iv) policy outcomes – impacts, consequences, or results; and (v) policy styles – the process by which policy responses are formulated (Bennett 1991, 219).

In short, policy formulation is not a rational exercise of policy-makers making sense of the variety of policy problems they encounter. Instead, we propose that it reflects the institutional work conducted by actors at the national and transnational setting with respect to both, the common assumptions and discourse of the enterprise field, and the structures and financial means through which enterprise-policy goals can be achieved. Drawing on this conception, the paper will investigate *how* these institutional dynamics explain policy formulation and development. Next, the methodology of the study is set out before proceeding to the country case analysis.

Research Methodology

Context of the study - The entrepreneurial environment in Albania

Following the collapse of communism in 1991, Albania's government initiated reforms on privatisation, liberalisation and stabilisation as part of a neo-liberal agenda (Kajsiu 2010), achieving, over the years, progress comparable to that of other market economies (EBRD 2012, 2013). Subsequent reforms centred on improving the business environment, including strengthening public administration and law enforcement, tackling corruption and infrastructure development although progress with reforms such as competition policy or infrastructure development has been very slow (EBRD 2013). A feature of the post-socialist journey has been the weak state capacity, reflecting the short history of statehood and a strong legacy of the party-state (Chiodi 2007) that created the need for a strong international presence in all political and economic developments in the country. Policy-making remains authoritarian, with few non-government actors involved (Bogdani and Loughlin 2007), ministerial coordination is limited and there is inappropriate use of public consultation (Xheneti and Kitching 2011).

Albania's private sector developed through a combination of privatization of state-owned enterprises and new firm formation after the liberalization of entry conditions.

The private sector in Albania account for 75% of GDP and over 80% of employment (EBRD 2009), figures that have remained similar over the years (EBRD 2012). Average annual start-up rates are 13% and micro firms, employing fewer than 10 people comprise 96% of the Albanian business stock and provide 46% of employment compared to 29% average for the EU (SBA Factsheet 2014). The diversification and competitiveness of the economy are, however low by Western standards (METE 2010).

Methodological Approach

Given the interest of the study on other than rational views of the policy formulation process, an interpretive policy analysis was deployed. As Miller et al. (2000) state those practising this method of policy analysis are not interested in the costs of a policy but on its meanings. Having its roots in phenomenology and hermeneutics, this method is concerned with policy as meaning-making both in terms of the values, feelings, or beliefs it expresses, as well as the processes by which those meanings are communicated to and 'read' by the various audiences of the policy (Yanow 2000). This focus on meanings and how they are embodied in structures and practices is core to neo-institutional theory (i.e. Zilber 2008). In the context of policy institutionalisation, meanings are seen as embodied in policy or agency artefacts, including policy documents, legislation, and implementation, as the concrete symbols representing more abstract policy and organizational meanings, including at times individual and collective identity (Yanow 2000).

Data Sources

The paper makes use of primary sources of information, including semi-structured interviews and several official documents from both the Albanian government and international organisations such as EU and OECD. More specifically, in exploring how policy choices are made, the paper relies on two studies of enterprise policy development in Albania undertaken by the authors in 2004 and 2009. Respondent organisations were selected for the important roles they have played in enterprise

policy design, implementation and advocacy during the transition period, including public officials in key ministries, business associations and donor programmes.

The main actors in regulating enterprise policy in Albania are the GoA and EU. Despite the take up of enterprise discourses since early transition, the institutionalisation of enterprise policy only began in 2001, following a wider recognition that fundamental reform of the institutional framework was necessary in order to create a market economy (Smallbone and Welter 2009). The later stages of transition saw these responsibilities better defined: the Ministry of Economy, Trade and Energy is the main body responsible for enterprise policy; the Department of Business Promotion in the Ministry of Economy, Trade and Energy (METE), and Albinvest² are the main policy actors. The department develops strategies and programmes to improve the legal and institutional framework for enterprise development and analyses and monitors policies to improve the business climate. Albinvest (AEDA), on the other hand, acts as an enterprise policy implementation unit, as administrator of government and donor funds, and as coordinator of enterprise support programmes. Enterprise policy in Albania, as in other Western Balkan countries, is also aligned with EU enterprise policy, including requirements for alignment with EU accession. Most policy actors interviewed for these studies have a long-standing presence in Albania and were able to provide an historical perspective on enterprise policy development. A total of 10 and 13 interviews were conducted in 2004 and 2009 respectively, offering a longitudinal aspect to the research since a number of policy actors interviewed were the same in both studies as shown in Table 1.

Insert Table 1 about here

² ALBINVEST has now been restructured and called AEDA. Despite a wider set of responsibilities those in relation to enterprise remain unchanged.

All interviews were conducted face to face and lasted between 60 to 90 minutes, with most taking about one hour. Most interviewees were willing to be recorded and cited but most citations used in the paper are anonymous. The interview protocol was structured on the basis of some general topics (i.e. enterprise policy experiences; role and participation of IOs; barriers/challenges); and specific questions tailored to take advantage of the interviewee's current position and his/her organisational context. Interviews have been essential in understanding how those involved in the policy process discuss the motivations behind the various enterprise policy initiatives, the contextual contingencies/pressures they had faced; the people/organisations with whom they had interacted; the information sources they had consulted; and the ways in which they had used (or not) what they learned from abroad (or from previous experiences).

Documentary data (Table 2), on the other hand, consist of a number of policy documents by a range of governmental and international organisation sources (GoA 2001a, 2001b, 2007, 2008a, 2008b; OECD et al. 2007, 2009, 2012). Documents are an important source of research data since they involve: *'creators (agents, writers, publishers, publicists and so on), users (readers, or receivers) and settings. All three realms are implicated in the emergence of documentation'* (Prior 2003, 2). The selected documents show how enterprise policy has been conceptualised over the years; the domestic and international actors that have been involved in policy design and implementation; as well as the outcome of these policies.

Insert Table 2 about here

Use of these documents also ensured cross-checking some of the information that participants in the study provided and provided good up-to-date sources of any recent policy changes not captured by interview data.

Data Analysis

The data analysis was conducted through multiple iterations of the documentary and interview data to generate an in-depth interpretation of the nature of policy-formulation over time and more specifically the interactions of policy actors with their policy environment. Based on our conceptual framework, we focus on different forms of institutional work, mainly in relation to *how* they influence what policy means over time, paying attention to the identification and examination of policy actors' narratives and, acts and objects that are significant carriers of meaning for those engaged in enterprise policy (Yanow 2000). As a result, the data was interrogated for forms of institutional work around policy meanings - enterprise policy ideas and assumptions, as well as their embodiment in national strategies, standards and tools such as SME Policy Index or Small Business Act and, the financial means for developing policy. We were interested, therefore, in:

- (i) enterprise policy framing in policy documents and narratives of policy actors- the rationale for this step of the analysis was to understand the nature of cognitive institutional work involved. More specifically, this step of the analysis was intended to understand how local policy actors were influenced by, and engaged with the assumptions and the discourses of the enterprise policy field when articulating the policy problems and their solutions in the Albanian environment;
- (ii) the representation in policy documents of, and the engagement of policy actors with, transnational policy standards and tools - this step of the analysis was important to understand the extent and forms of transnational actors work on the normative aspects of the enterprise policy field through these artefacts;
- (iii) the practical implications of this institutional work focusing on how variations over time of donors and priority policy areas have further influenced the policy formulation process.

We discuss these steps of the analysis in the Findings section.

Findings

Based on our conceptual framework and methodological approach our departure for the data analysis was that enterprise policy, like other areas of policy-making, is not a rational process of identifying problems and implementing the best course of action as a solution to this problem. Using a neo-institutional lens, however, and employing an interpretive methodology to understand policy-making allows the development of several other arguments in relation to *how* the institutional work of actors at the national and transnational level affects policy choices and their eventual effectiveness. Our main aim is to show *how* these various forms of institutional work are interpreted and experienced. We highlight a number of institutional dynamics that shape policy formulation.

Policy framing and policy tools - Cognitive and Normative Institutional work

Enterprise policy is a well-developed policy field, highlighting common prescriptions as to what policy instruments should be used in various conditions and for achieving specific policy aims (i.e. Dennis 2011). As such, enterprise policy ideas and knowledge have crossed national boundaries and, unsurprisingly, a key attraction with such policies in Albania has been the role of enterprise policies in enhancing business stock, generating jobs, increasing competitiveness and innovation, and thus leading to wealth creation. As a public official mentions:

...the government designed a strategy [2007-2013] in order to better support the private sector because through its development can be achieved the quick and sustainable development of the country. The focus is on increasing the number of start-ups, the potential of Albanian enterprises to export and also attracting foreign investors through improvements of the business climate. (Public Official 1, 2009)

To exemplify this further all three major enterprise policy strategies designed by the government during the post-socialist period in 2001, 2007 and 2013 (See Table 3), emphasise the contribution of entrepreneurship and small business in socio-economic

development. As clearly portrayed in column 1 on the functional discourse, the quantification of the role of entrepreneurship takes centre stage in these policy documents as often statistics are employed in order to legitimise knowledge claims that convey meanings seemingly independent of those who employ them. Such is the extent of knowledge exchange in the field of enterprise that the objectives of these policies over the years have also been very similar to the broader global understandings in enterprise policy studies of how policy can support various aspects of enterprise, through improvements of the general business environment, enterprise education, financial instruments, as well as more targeted policies towards women or businesses in particular sectors.

The three strategies have expressed different emphasis on respectively SMEs, Entrepreneurship and more recently Innovation and Competitiveness to align with the wider changes at the EU level and academic debates on the need to acknowledge the differences and overlaps between the three (i.e. Lundstrom and Stevenson 2005; Audretsch et al., 2005). The strategies also explicitly state the reliance on EU Actions Plans on enterprise to develop the measures and policies outlined in these documents, a sentiment also shared in the narratives of public officials who see the GoA's 'policy model' as a 'European model' that for 'all of us [other Balkan countries] who want to integrate will be the main orientation (Public Official 1, 2009). This change in focus, and arguably, the passing of policies that might not be easily implementable, has been used 'to tell a story' by the government to the EU, or the public as whole, about its identity or more specifically what the government considers as important in order to get closer to its goal of EU membership.

Insert Table 3 about here

This shift to reflect change in EU priorities has also meant that the GoA has engaged with these enterprise ideas in a changing continuum from imitation to persuasiveness/attraction. The study conducted in 2004 clearly showed that the main

justification of policy actors for formulating certain policies was the desire to catch-up quickly with the West often adopting policies from the most developed countries without thinking of their implications in terms of the general infrastructure available or the human capital necessary to carry them out. This uncritical and decontextualized adoption of policies and legislation from developed countries was the focus of various policy actors' accounts, whose interpretations of the issue, related to what they labelled as IO dependency, poor understanding on the side of the donors (IOs) of these contexts, as well as the uncoordinated approaches of all IOs operating in the country (See Table 4).

Insert Table 4 here

Over the years, the EU and other IOs have influenced policy developments with a number of policy artefacts or tools, most significantly the SME Charter (now the Small Business Act) endorsed in 2003 and the SME Index in 2007. The latter was specifically designed to evaluate Western Balkan countries on all enterprise policy dimensions, in revising policy actions and instruments and acting on low-scoring areas. The SME Policy Index and the Small Business Act focus on whether specific features of the policy environment are in place and whether performance of countries improves over time. These policy tools have been used to conduct cognitive and normative institutional work often perceived positively by public officials trying to structure enterprise policy. The exchange of policy knowledge between policy makers in different countries as part of the meetings on the Charter, the close contact with international experts based in Ministerial departments for different time duration advising on the design of various strategic policy documents and the regular evaluations of the EU SME Charter have informed policy reforms or provided an impetus for policy development. As one public official illustrates:

The aim to adopt the EU SME Charter was to learn from the other countries in the region and other more developed countries and members of the OECD... OECD organises meetings periodically with the Charter coordinators in all the

countries, and they engage in analysis, debates and present their good practices. This is important for Albania because its learning is not only based on policy documents but in personal contacts and exchange with the policy makers in other countries in the region in order to benefit from their best practices. (Public Official 1, 2009)

The SME Policy Index, on the other hand, has also provided institutionalised practices that influence the policy formulation process by affecting how policy problems are identified through a process of comparison (through ranking and benchmarking) both with past performance and also with the performance of other countries in the region. For example, following poor performance across all ten Charter's dimensions in the first SME Index evaluation (OECD et al 2007), GoA initiated a number of enterprise policies such as the establishment of the National Business Registration Centre in 2007 for facilitating one stop registration; the establishment of an export promotion fund to support exporting activities of SMEs; the licensing reform, as well as a credit line guarantee, all policy recommendations of the SME Index evaluation. All these policy efforts lead to what is described in the 2009 SME Policy Index report as 'remarkable' progress of Albania's policy performance because of improvement in all ten Charter dimensions (OECD et al 2009) compared to 2007.

As illustrated in the quote below in relation to the Business Registration Centre (created with the technical and financial assistance of USAID) this emphasis in ranking and benchmarking that IOs promote, places at centre-stage the policy sites or the technical aspects of how policy reforms position the country vis a vis other countries in the region:

...we were the last country in terms of business registration; 145 days and €1500 registration cost... [now] the registration is done in a day and with the cost of €1. It is the best model in the region; other countries' delegations have come to see how it works. (Public Official 2, 2009)

As importantly, this process of comparison has often led to the re-evaluation of issues outside of policy focus suddenly taking prominence as it was the case with the recent

focus on industrial parks and business incubators that policy makers were 'trying to introduce as concepts and activities' because of 'frequent EU criticism' (Public Official 3, 2009). Interestingly, other countries of the Western Balkans share a positive sentiment about the SME Policy Index, as illustrated by this passage on the 2012 SME Policy Index Report that makes clear that at the core of IOs' institutional work are three processes: guidance, monitoring and evaluation:

The Western Balkan governments and the partner organisations expressed strong interest in adopting the SBA as a guidance tool for SME policy, replacing the European Charter for Small Enterprises. They called for a continuation of the regional SME policy measurement and implementation process...The beneficiary economies emphasised the importance of the guidance process (previously through the Charter's action lines, now through the SBA principles), monitoring (through the SME Policy Index and the different bilateral and regional meetings of the countries with the EC and the partner organisations), and evaluation (through the final report) led by the partner organisations. (OECD et al 2012, 45)

As such, the IOs, have affected the normative aspects of enterprise policy - the creation of expectations that have prescriptive, evaluative and obligatory dimensions to social life (Scott, 2008). These different forms of institutional work through knowledge exchange, training and other forms of technical capacity support offered by EU and other IOs contribute towards a socialisation or persuasion process that shapes, albeit at times inadvertently, the way policy-makers frame and solve policy problems. One of the Public Officials whilst narrating the experience of working with experts from IOs advising on the business licensing reform acknowledges this process of learning, describing also the evolution of the relationship between local policy makers and international experts overtime:

Nowadays, there is more awareness amongst policy-makers and so when international consultants work with us we ask them for something that is specific to Albania...This is a learning process and we learned a lot during the licensing reform, for example. (Public Official 5, 2009)

So far, a set of processes through which enterprise knowledge is exchanged can affect the policy formulation process. Seeing them in conjunction with the adaptational pressures that the regular assessments of the enterprise policy environment often entail provides evidence of *how* the IOs *disturb* the linearity of the policy process. Arguably, these continuous discussions of policy problems and structures and the identification of problems by comparison that the EU Small Business Act or the SME Policy Index have at their core, also streamline the discursive environment (or the framing of problems), in which the national levels of policymaking occur by favouring certain policy tools and excluding others. This supports further the evidence on the convergence of governmental policies on enterprise throughout the world, despite the lack of consensus on their outcomes (Perren and Jennings 2005; Klyver and Bager 2012).

The different configuration of finance and policy actors over time

The previous section showed how IOs shape both the cognitive and normative aspects of the institutionalisation of enterprise policy. In this section we show that policy formulation also follows a logic of donor priority that manifests itself through financial incentives and leads to certain policies taking prominence and/or to certain policy agencies being in operation. The budgetary constraints of GoA, often mean that policy areas chosen to focus on do not follow the articulation of problems by GoA but rather the policy areas where donor programmes are willing to invest in or consider as important. As one policy actor interprets this situation, donor programmes have their own understanding of the policy context in Albania and focus their institutional work accordingly:

...the programmes that operate in Albania have their own perspective on what is missing in Albania, what is already done and what it could be done in the future. Once I happened to be in a meeting with [donor] and the public official was surprised to hear that [donor] was going to implement a project on SME competitiveness, without notifying or asking input from the Government (Business Support Organisation 1, 2009)

The financial significance of adopting enterprise policies prescribed by IOs is especially evident in the way strategies and their corresponding tools are expected to be financed. One very telling example is that an SME internationalisation fund was the only policy measure the GoA was able to fund within its own budget in the period 2007-13. As with previous strategies, the latest one (2014-20) has an estimated budget of EUR 264 million, of which only 17% will be covered by the government budget. The main funding (55%) is expected to be provided from donors (SBA Factsheet 2014). As one public official mentions:

The budget of the strategy activities is based on forecasts but negotiations with donors are very important because the government does not have the necessary budget to carry out these activities...Sometime although the donor has expressed the will to support due to certain bureaucratic procedures the process takes really long as it was the case with the credit line of the Italian government. (Public Official 1, 2009)

The calculation of the budget is usually made on the basis of the donors that work in different fields i.e. for issues related to agriculture or competition the government addresses those that are more interested [in such issues] such as GTZ. They organise a meeting, GTZ says I'm interested and I can find some funding but nothing is concrete. (Business Support Organisation 2, 2009)

Whilst this dependency on donors means that a number of policies do get implemented, it is also indicative of the fact that the policies' intentions might change as they accommodate the donor priorities. The significance of donor programmes has been a central feature of the post-socialist transformation with large numbers of donors being active in the country over the years. Whilst the EU has taken prominence in the recent years, as illustrated earlier, a number of other donors have also actively pursued policy work through financial support. Interviews in 2004 pointed to the ad-hoc and overlapping support that donors provided in the first stage of transition. The 'juggling' of donor priorities, thus, became an art in itself for policy actors both in terms of how to utilize their resources and how to position themselves *vis a vis* other countries or policy actors. A donor council was created in 2007 in order to ensure there was more interaction between the donor community present in the country and the

government, hoping to achieve some consistency between GoA and donor policy priorities. In practice, however, as interpreted by various policy actors the interaction has not been very smooth:

The Ministry does not have any control on the donor funded programmes but we get invited in meetings where the progress of projects is presented. However, each donor works according to its own working procedures. (Public Official 4, 2009)

‘Juggling’ funding pressures and donor priorities is accompanied by the need of the GoA to be seen as making progress in various policy areas, which has also led to reporting of the data that overestimates its achievements in a bid to increase legitimacy and to show ‘it has done everything it promised to do’ (Donor Organisation 1, 2009). The latest SME Policy Index suggests that out of the 81 measures of the 2007-2013 Strategy only 19 have been put in place, with 47 still in implementation stage (OECD et al, 2012). The 2014 SBA Factsheet, however, suggested that ‘in 2013 and the first quarter of 2014, Albania *implemented or announced* 46 policy measures addressing all of the SBA policy areas’ (SBA Factsheet, 2014, 4). The inconsistency in language and figures in these two documents is indicative of the tendency to overestimate achievements.

Most policy actors were critical of this governmental approach to policy formulation not reflective of the real problems on the ground, but rather, a different configuration of donors and their priorities. As the case of policy formulation in the areas of innovation and university collaboration illustrates they have appeared in government policy priorities following their emphasis by the EU (Business Support Organisation 4, 2009). Another Business Support Organisation representative went further to express his frustration with this approach that favours IO priorities instead of more pressing domestic concerns:

The government wants to do too many things and ends up doing nothing. There are some priority sectors, tourism, agro-industry, some priority

products: apples, grapes, olives. We would like those to take investment priority. (Business Support Organisation 1, 2009)

Despite their critical accounts of the way governments respond to changing IOs' priorities in policy formulation, local policy actors similarly changed their areas of work to align with those where donor funding is concentrated in a bid to ensure their activities' sustainability. In earlier stages of transition this was often done to avoid them being crowded-out by donor programmes that would operate on the same policy issues as illustrated below:

We don't want to consider ourselves as monopoly in the market but it is not good that new projects start all over again on the same issues we have been working on... it is needed an understanding of what it is being offered first, before a new project starts doing the same things all over again. (Business Support Organisation 2, 2004)

For many, however, it has been a strategic decision to ensure their financial standing in the policy environment by operating in areas that provide less 'competition' as expressed in the words of one organisation: *'[we] changed [priorities] from the agricultural sector because there are a number of other donors that work in that sector now...Industrial parks are another priority we are trying to focus on'* (Donor Organisation, 2009). So common have these strategic decisions and donor funding dependency been that those who did not operate along the same logic were very proud of their ability to be: *'one of the few Business Support Organisations that work without donor support'* and *'created bottom up with no external support'* (Business Support Organisation 3, 2009).

This dependency on donor funding of local policy actors is suggestive of a policy environment where policy problems are framed in ways that would allow these local organisations to survive, rather than areas of main priority in the business context. The policy environment explored in this paper is, therefore, fragmented not only in terms of the donors that have taken centre stage during different periods of time but also the nature of constraints and incentives within which successive governments

have operated under, most significantly EU membership aspirations or financial dependency. The changing configurations and priorities of IOs in the enterprise policy field continuously affect how policy is made and developed in the Albanian context. Arguably, enterprise policies are being adopted for ‘me too’ rationales or funding incentives rather than for solving the problems of the business community, with implications for their intended outcomes.

Discussion

Differently from most studies on enterprise policy, our main focus on this paper was on policy formulation rather than its outcomes. We concur with Arshed et al (2014) that an ‘opening up of the ‘black box’ of policy formulation’ supports explanations of policy effectiveness, and most importantly whether policy is receptive of domestic conditions. We provide, however, an added perspective by conceptualising policy formulation as shaped by the institutional work of policy actors at the national and international level, which allows us to explore *how* they ‘disturb’ directly or in a subtle way the assumed linearity and rationality of the policy-making process. Our analysis of how institutional work is manifested and experienced is summarised in Figure 1 below:

Insert Figure 1 here

First, we outline various processes such as regular meetings of Charter coordinators and regular interaction with international experts located in certain ministries or organisations to offer technical capacity, through which enterprises ideas and discourses shape policy formulation. The data clearly emphasised that in contexts undergoing institutional change, characterised by limited experience of enterprise policy-making and lack of human and financial capital the enterprise discourses and the organisations that promote them play a special emphasis. The EU and other IOs are perceived as important sources of knowledge and exerting a positive influence in framing policy, structuring and stabilising the enterprise policy system. Previous

literature has also acknowledged that institutionalised enterprise discourses or *myths* (Rehn et al. 2013) 'transferred' via academic and expert knowledge (Klyver and Bager 2012) legitimize the inclusion and priority role in government agendas of enterprise policy and the positioning of entrepreneurs and their concerns along similar lines (Perren and Jennings, 2005; Ahl and Nelson, 2015). Whilst Klyver and Bager (2012) consider the spread of enterprise policy assumptions and discourses as part of knowledge exchange over the years in academic communities such as GEM, we extend this work by including institutional actors such as IOs with their own skills and interests (Perkmann and Spicer 2007), whose communication of the enterprise policy narrative via particular language, focus, policies and sites is successfully utilized in forwarding particular interpretations of problems and policies independently of their context. Clearly, the enterprise policy myths are easier to employ in the case of developing countries because of their need to expand their enterprise knowledge and develop clear institutional structures that offer stability to the policy system, making them more 'vulnerable' towards the institutional work of transnational actors.

Second, by placing attention to policy standards and tools and the financial incentives offered by IOs, we depict a policy environment where policy choices are subject to sudden change, often through processes of comparison and funding prioritization rather than in response to a particular policy problem. As the IOs' ranking of the countries often signifies these countries' progress to EU membership, the policies they emphasise in these public reports receive particular attention. As importantly, the large number of actors offering financial support at the transnational level and their varied interests and understandings of the policy context influence what policy areas receive priority and how the intention of policies might change to accommodate these priorities and/or understandings of the policy environment. Policy formulation, therefore, results from the trade-offs that government(s) and other policy actors ought to make between contextually-based policies and solutions, and the legitimacy and opportunity, most notably getting closer to EU membership or ensuring their survival

and sustainability which, comes with the compliance and adoption of enterprise policies promoted by the IOs.

Third, and most importantly, these policy choices, resulting from the continuous interplay of the national and international actors' institutional work, imply certain dynamism in the policy making process that is not captured by the much focus placed on the role of policy entrepreneurs in transforming policy by using 'windows of opportunity' (Mintrom and Norman 2009; Arshed, Carter, and Mason 2014). We believe our focus on the continuous and changing interaction of these various actors and their changing policy emphases and funding priorities allows for a view of policy formulation that emphasises the dynamics in play in policy formulation rather than the actions of policy entrepreneurs only. Our emphasis on several changing processes such as mimicking, socialisation and donor 'prioritizing', and how they are experienced and interpreted in different time periods is reflective of how knowledge exchange and accumulation, and experiences of the diversity of actors (transnational and national) change overtime, shaping in turn, how policy problems are framed, funded and their corresponding solutions. Emphasising these dynamics in place in policy formulation in changing environments we posit that enterprise policy has also a temporal dimension that reflects the changing configurations of ideas, discourses and actors involved over the years. All in all, we provide a nuanced account of policy formulation that points to a number of factors and actors that mediate the gap between policy and its outcomes.

Conclusions

Our aim in this paper has been to explore enterprise policy formulation by taking a broader view of the context where policy-making is situated. Starting from the assumption that a privileging of the transnational context when formulating enterprise policy might affect policy choices and their effectiveness, we used a neo-institutional perspective combined with an interpretive method of policy analysis to

understand *how* the interaction of policy actors and factors at the national and international level informs policy formulation.

Utilizing qualitative data from two studies on enterprise policy development and a number of policy documents in a post-socialist context undergoing institutional change – Albania, allows us to extend and contribute to the increasingly critical literature on enterprise policies in two main ways. First, we develop a conceptual framework that considers policy formulation to be shaped by the institutional work of actors in the transnational and national levels of enterprise policy-making. Second, our longitudinal perspective allows us to observe how the interaction of the national and transnational level manifests itself and changes overtime through processes of mimicking, socialisation, comparison and funding prioritization. These support a more nuanced view of the policy formulation process that reflects the changing configurations of knowledge, policy tools and resources, and actors involved in the process and their understandings, which might be used to explain the gap between policy and its intended goals.

We are aware that our study is not without limitations. Some of the issues or processes discussed are mainly applicable to countries undergoing institutional change, where the enterprise policy field is still in development. As importantly, the paper captures the period after 2009 only via documentary data and this might not sufficiently show how institutional dynamics have changed over time, especially in relation to the global financial crisis and the changing priorities of EU or other IOs. The latter might mean a reconsideration of the EU membership prospect of the Western Balkan countries that might affect the transnational-national interaction dynamics.

However, we believe, our study's main implication for understanding the context under which, and the actors who shape, enterprise policy formulation are of importance both, for developing and developed contexts. In more stable institutional contexts, it would also be of interest to focus on the dynamics of institutional work in mainly maintaining or challenging the enterprise-policy field assumptions and the

way they influence policy choices and tools. This would require further research on contexts of enterprise policy-making, calling for entrepreneurship scholars to reach towards a better understanding of the institutional and social features of various policy environments

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Table 1. Policy actors interviewed

Institution	2004	2009
<i>Public officials</i>		
• Department of Business Promotion (Ministry of Economy)	1	2
• Albinvest	2	2
• Department of Market Policies (Ministry of Economy)		1
<i>Business Agencies/Associations</i>		
• The Union of Chambers of Commerce	1	2
• Regional Development Agencies	1	1
• Agro-Business Council	1	1
• The Albanian-American Chamber of Commerce		1
• The Industries Confederation		1
• Albanian Industrialists and Investors Association	1	
<i>Donor programmes</i>		
• German Agency for Technical Cooperation (GTZ)	1	1
• European Bank for Reconstruction and Development Business Advisory Programme for Albania		1
• Southeast Europe Enterprise Development (SEED, World Bank)		
• Small Business Credit and Assistance (SBCA USAID)	1	
	1	
<i>Total interviews</i>	10	13

Table 2: Policy documents analysed in the empirical section

No	Title of the document	Author
1	National Strategy for Socio-Economic Development, Medium Term Programme of the Albanian Government Growth and Poverty Reduction Strategy (2002-2004)	Government of Albania
2	National Strategy for Development and Integration (2007-2013)	Government of Albania
3	National Strategy for Development and Integration 2007-2013 Progress Report 2006-2007	Government of Albania
4	Medium term strategy for the development of small and medium size enterprises (2001)	Government of Albania
5	SME Development Strategic Programme (2007-2009)	Government of Albania
6	Business and Investment Development Strategy (2007-2013)	Government of Albania
7	Business and Investment Development Strategy (2013-2020)	Government of Albania
8	Report on the Implementation of the European Charter for Small Enterprises in the Western Balkans: 2007 SME Policy Index	OECD et al
9	Progress in the Implementation of the European Charter for Small Enterprises in the Western Balkans: 2009 SME Policy Index	OECD et al
10	Progress in the Implementation of the Small Business Act for Europe –Western Balkan and Turkey SME Policy Index 2012	OECD et al

Table 3: Policy areas emphasis over the years

National Strategy	The functional enterprise discourse	Policy Dimension	Main Policy Objectives
Medium term strategy for the development of small and medium size enterprises (2001)	... (the) development of the private sector as the driving force behind growth and poverty reduction. The objective of the government is to stimulate the development of a dynamic private sector, increase the level of the competitiveness of the economy and create an attractive environment for private foreign investments through improvements of the legal and institutional framework that is directly related to the business sector. (GoA 2001a, p. 63)	SMEs	<ul style="list-style-type: none"> (i) promoting the manufacturing sector (ii) increasing enterprise financing
Business and Investment Development Strategy (2007-2013)	The development of the SME sector is considered the most effective tool for sustainable growth, employment and poverty reduction in transition economies. In the past three years, Albania has had an economic growth rate of 6% ... The SME sector has	Entrepreneurship	<ul style="list-style-type: none"> (i) promoting an enterprising culture through introducing enterprise education into school curricula; (ii) improving the business climate through reform of the regulatory

	<p>certainly given its contribution to this process.</p> <p>The SME share of the GDP is estimated at 64% and their share of private sector employment is estimated at 66% (GoA, 2007, p. 17).</p>		<p>framework and provision of business support;</p> <p>(iii) developing businesses with internationalisation potential through training and support, technology and innovation promotion; and</p> <p>(iv) increasing enterprise financing through credit guarantee funds and micro credit.</p>
Business and Investment Development Strategy (2013-2020)	<p>The SME sector plays a substantial role on economic growth and employment...their contribution is higher than 73% of GDP and 71% of overall employment (GoA, 2013, p. 10).</p>	Competitiveness and Innovation	<p>(i) promoting an enterprising culture in support of increased number of start-ups</p> <p>(ii) improving the entrepreneurial potential of the female population</p> <p>(iii) improving SME finance</p> <p>(iv) increased SME competitiveness and innovation</p>

Source: GoA (2001; 2007; 2013)

Table 6: Mimicking and lack of contextual understanding

Public Officials	<p>The legislation is good by Western standards but it is not being implemented (Public Official 1, 2004)</p> <p>We may have emulated policies but were unable to implement them. This was a problem, especially at the beginning of transition, because of a lack of capacities, vision or other reasons; it can't be put down to a single factor...so they [the policies] became a boomerang rather than a developmental force...(Public Official 5, 2009)</p>
Donor Organisations	<p>One of the problems in developing strategies is how implementable they are. They can tend to be unrealistic, but, what one has to do is to break down any strategy into components that can be separately managed...we have created a shopping list and the Albanian government can shop around with this list and tell the donors what it needs rather than what donors propose (Donor Organisation 2, 2004)</p> <p>Another form of unfair competition has resulted from uncoordinated donor interventions. Under a number of World Bank programmes, grants are being provided to businesses that are competing with SBCA clients that are borrowing at commercial rates of interest. Grant programs should only be targeted at areas, such as North East Albania, where credit is not currently available (Donor Organisation 1, 2004)</p> <p>What has happened in the past is that donors send a specialist for a few weeks in the country, they come up with a project that often overlaps with another one, and the whole duplication and wasted effort happens again (Donor Organisation 2, 2004)</p>
Business Support Organisations	<p>We just import policies from abroad and do not look carefully to the situation on the ground and how implementable they are... I find it unjustifiable to take the orientations of IMF or World Bank as they are without looking carefully at what is happening to Albanian businesses (Business Support Organisation 1, 2004)</p> <p>We have modern regulations that apply to people that don't have any knowledge of them or can't perceive them...We are very dependent on foreign organisations like IMF, EBRD that dictate policies. There is a</p>

	<p>lack of human infrastructure, physical infrastructure which makes things more difficult. (Business Support Organisation 2, 2004)</p> <p>In general in Albania there are no economic policies. There are just strategies that are written and not implemented. There is a strategy for the promotion of foreign investments. This is the third strategy and the third agency created since 1992. (Business Support Organisation 3, 2004)</p>
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Figure 1: Policy formulation as institutional work



